

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4801-03
Bill No.: Perfected HCS for HB 2060
Subject: Department of Corrections; Law Enforcement Officers and Agencies
Type: Original
Date: April 16, 2008

Bill Summary: The proposal authorizes minimum amounts of compensation for certain corrections employees.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
General Revenue	(\$15,704,445 to \$18,209,220)	(\$18,845,333 to \$20,954,824)	(\$18,845,333 to \$23,502,094)
Total Estimated Net Effect on General Revenue Fund	(\$15,704,445 to \$18,209,220)	(\$18,845,333 to \$20,954,824)	(\$18,845,333 to \$23,502,094)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2009	FY 2010	FY 2011
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor** and the **Office of Administration – Administrative Hearing Commission** assume the proposal would have no fiscal impact on their agencies.

Officials from the **Office of Administration - Personnel Division (COA)** state this proposed legislation creates an entirely separate pay grid for Corrections Officers and institutes a longevity based pay system that would not be possible for other employees in the Department of Corrections and other agencies under the Uniform Classification and Pay System administered by the Division of Personnel. If passed, the proposed legislation would require that the Director of Personnel recommend to the Personnel Advisory Board a separate pay grid for the classes of Corrections Officer I-II-III and Corrections Supervisor I-II. The pay plan would become effective when approved by the Personnel Advisory Board and the Governor. After the first year, the pay rates for affected employees would increase each year by \$600 for CO I, CO II, CO III, and Corrections Supervisor I and II, until the top of the pay range is attained. Presumably, adjustments to the pay ranges would continue thereby providing additional longevity payments as time goes on.

In response to this proposal, COA made the following assumptions:

- Each employee in each Department of Corrections class affected would be paid commensurate with the years of service in the proposed legislation. That means, adjusting the salaries of employees to the pay rates in the proposed legislation the first year, then providing either \$600 per annum or C-O-L, based on class, for each successive year of service (up to 11 years for CO I and up to 6 years for CO II, II, CS I, and CS II). The years of service adjustments were based on the total state service of the employees affected, not on the length of service of the employees in each rank. COA would need to defer to the Department of Corrections for the estimate if the adjustments are based on time in rank. If this results in a lower estimate from the Department of Corrections, COA would suggest the lower estimate be adopted.
- Pay increases were calculated effective August 28th for FY 09.
- Pay rates were calculated based on existing employees, so the fringe benefits were calculated at 27.05% (instead of 44.22% as in most fiscal notes where new employees are added). The estimated cost of health care per employee is where the fringe benefit rate is significantly different. Since the affected employees would already have health care coverage, the 27.05% rate is used.

ASSUMPTION (continued)

- The proposed legislation “authorized minimum amounts of compensation for certain personnel.” In some cases, the minimum amount suggested could be lower than employee’s current salary. COA assumes that proposal was not intended to lower the salary to the new minimum suggested. In that situation, calculations were based on the higher of the two salaries.
- In several instances, the pay per month was listed as C-O-L. COA used the previous minimum salary listed.
- Since the base rates provided in the proposed legislation reflect 2008 pay rates, an assumption was made that the 3% C-O-L provided for all employees would be applied to the rates in the proposed legislation. As such, the 3% was not included in COA’s original calculations. It is built in to the Fiscal Note Summary for each projected fiscal year.
- All amounts calculated as increases year to year are non-cumulative, i.e., increases for FY09 are assumed to be built into the core budget for FY10, etc.

TITLE DESCRIPTION	Grade	Sum of Year 1 (FY08) Annual Increase	Sum of Year 2 (FY09) Annual Increase	Sum of Year 3 (FY10) Annual Increase
Corr. Officer I	A16	\$9,285,553	\$2,147,037	\$1,999,690
Corr. Officer II	A18	\$3,097,632	\$12,731	\$5,245
Corr. Officer III	A20	\$1,194,378	\$637	\$0
Corr. SPV I	A23	\$651,866	\$637	\$0
Corr. SPV II	A27	\$102,897	\$0	\$0
Totals		\$14,332,326	\$2,161,042	\$2,004,935
Benefits In Addition to Salary	27.05%	\$3,876,894	\$584,562	\$542,335
Total Estimate		\$18,209,220	\$2,745,604	\$2,547,270

In summary, the COA assumes a cost to the General Revenue fund of \$18,209,220 in FY 09, \$2,745,604 in FY 2010, and \$2,547,270 in FY 11.

Oversight assumes the pay adjustments received by corrections personnel in FY 10 and FY 11 would be in addition to pay adjustments received in previous years. Therefore, Oversight assumes the Office of Administration estimates for FY 10 and FY 11 to be cumulative.

ASSUMPTION (continued)

Officials from the **Department of Corrections (DOC)** assume this bill proposes an extra \$50 of pay to be given each month per each year of service attained for a Corrections Officer I (CO I), Corrections Officer II (CO II, Sergeant), Corrections Officer III (CO III, Lieutenant), Corrections Supervisor I (CS I, Captain) and Corrections Supervisor II (CS II, Major), and establishes a pay grid to supplant the existing merit pay grid.

The effective date of this bill, should it be passed as law, is August 28, 2008, FY09, and it is noted that it is subject to appropriation. It is assumed for purposes of this fiscal note that this compensation is an ongoing pay adjustment for affected DOC staff and not a one-time pay out.

It is also assumed the longevity increases are for years of service within the job class and not cumulative years of service to the DOC.

Class	Annual Total Per Class
CO I	\$9,853,759
CO II	\$2,995,115
CO III	\$1,173,389
CS I	\$718,165
CS II	\$92,577
Total	\$14,833,005

The costs outlined in the table above represents only a snapshot in time of DOC's tenured staff affected by this proposal and it must be noted it could change dramatically over time and additional funds would then be required.

DOC assumes any changes to the statewide human resources accounting system would be addressed by the Office of Administration, Division of Personnel.

Oversight assumes fringe benefits would be calculated at 27.05%, as estimated by the Office of Administration.

ASSUMPTION (continued)

Oversight is unable to determine whether the intent of the legislation is to calculate the length of service based upon the length of service in a specific rank or as the total length of service with Department of Corrections. Therefore, Oversight has reflected the fiscal impact as a range from the cost with length of service calculated based upon the length of service as a specific rank, as provided by the Department of Corrections, to the cost with length of service based upon the total length of service with Department of Corrections, as provided by the Office of Administration.

<u>FISCAL IMPACT - State Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
GENERAL REVENUE FUND			
<u>Costs – Department of Corrections</u>			
Personal Service	(\$12,360,839 to \$14,332,326)	(\$14,833,005 to \$16,493,368)	(\$14,833,005 to \$18,498,303)
Fringe Benefits	(\$3,343,606 to \$3,876,894)	(\$4,012,328 to \$4,461,456)	(\$4,012,328 to \$5,003,791)
<u>Total Costs – DOC</u>	(\$15,704,445 to \$18,209,220)	(\$18,845,333 to \$20,954,824)	(\$18,845,333 to \$23,502,094)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>(\$15,704,445 to \$18,209,220)</u>	<u>(\$18,845,333 to \$20,954,824)</u>	<u>(\$18,845,333 to \$23,502,094)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2009 (10 Mo.)	FY 2010	FY 2011
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

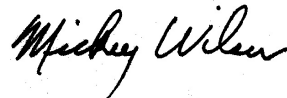
This proposal authorizes minimum amounts of compensation for certain corrections personnel.

The legislation duplicates the Missouri Merit System and the Uniform Classification and Pay System (Chapter 36, RSMo) administered by the Office of Administration – Division of Personnel. The Department of Corrections is included in the Missouri Merit System and the Uniform Classification and Pay System. The Uniform Classification and Pay System includes the Department of Corrections classifications proposed for a longevity pay system in this proposal.

This legislation is not federally mandated and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Governor
Office of Administration
 – Administrative Hearing Commission
 – Division of Personnel
Department of Corrections



Mickey Wilson, CPA
Director
April 16, 2008